

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st December, 2001.

Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 15 to the financial statements.

Major Customers and Suppliers

During the year, the five largest customers of the Group in aggregate accounted for approximately 64% of the turnover of the Group and the largest customer accounted for approximately 24% of the turnover of the Group.

The five largest suppliers of the Group in aggregate accounted for approximately 76% of the total purchases of the Group and the largest supplier accounted for approximately 28% of the total purchases of the Group.

China Petroleum & Chemical Corporation ("Sinopec"), a shareholder holding more than 70% of the Company's share capital, had beneficial interests in one of the five largest customers which accounted for approximately 12% of the turnover of the Group.

Save as disclosed above, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the issued share capital of the Company) have an interest in any of the five largest customers or suppliers of the Group.

Results and Appropriations

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated income statement on page 18.

An interim dividend of HK1.5 cents per share amounting to HK\$15,552,450 was paid to shareholders during the year. The directors now recommend the payment of a final dividend of HK1.5 cents per share to the shareholders on the register of members on 10th May, 2002, amounting to HK\$15,552,450.

Reserves

Movements during the year in the reserves of the Group and of the Company are set out in note 24 to the financial statements.

Property, Plant and Equipment

During the year, the Group spent approximately HK\$65,994,000 on construction in progress for the purpose of constructing jetty facilities situated in the People's Republic of China (the "PRC"). The Group also acquired other assets at an aggregate cost of approximately HK\$27,526,000 for business expansion. Details of these and other movements during the year in the Group's property, plant and equipment are set out in note 13 to the financial statements.

Share Options

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 27th May, 1999 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 26th May, 2009. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The number of shares in respect of which options may be granted to any individual in aggregate is not permitted to exceed 25% of the shares of the Company in issue and which may fall to be issued under the Scheme at any point in time.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK\$1.00 per option. Options may be exercised at any time from the date of acceptance of the grant of the share option to the earlier of the date on which such options lapse under early termination and the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the shares and 80% of the average closing price of the shares for the five business days immediately preceding the date of grant.

No options were granted under the Scheme since its inception.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Hong Zhi Ming (*Chairman*)

Mr. Yang Shu Shan (*Deputy Chairman*) (*appointed on 18th May, 2001*)

Mr. Dai Zhao Ming

Mr. Ye Zhi Jun (*Managing Director*) (*appointed on 28th March, 2002*)

Mr. Zhai Xu Dong (*resigned on 28th March, 2002*)

Mr. Zhan Hai Tao

Non-executive directors

Mr. Guan Qing Jie

Mr. Li Yue Ling (*appointed on 18th May, 2001*)

Independent non-executive directors

Mr. Wong Po Yan

Ms. Tam Wai Chu, Maria

Mr. Gu Yong Jiang (*resigned on 28th March, 2002*)

In accordance with Bye-Law 111 of the Company's Bye-laws, Messrs. Zhan Hai Tao and Guan Qing Jie retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Report

Directors' Service Contracts and Appointment Letters

Each of Messrs. Hong Zhi Ming, Dai Zhao Ming and Zhan Hai Tao, executive director, has entered into a service contract with the Company for a period of three years commencing from 23rd March, 1998 (which is automatically renewed upon expiry for successive terms of one year), subject to termination on or after 1st May, 2001 by either party giving not less than six months' prior written notice to the other party terminating at the end of the initial term of the relevant service contract or at any time thereafter. Mr. Yang Shu Shan, executive director, has entered into a service contract with the Company for a period of one year commencing from 1st July, 2001 renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment, unless terminated by not less than 6 months' notice in writing served by either party expiring at the end of the initial term of the appointment or at any time thereafter. On 28th March, 2002, an executive director, Mr. Ye Zhi Jun, has entered into a service contract with the Company for a term of one year commencing from 28th March, 2002 renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment unless terminated by not less than six months' notice in writing served by either party expiring at the end of the initial term of the appointment or at any time thereafter.

Mr. Guan Qing Jie, non-executive director, has been appointed for a term of three years commencing from 25th March, 1998 which is automatically renewed upon expiry for successive terms of one year.

Mr. Li Yue Ling has been appointed as a non-executive director for a term of three years commencing from 18th May, 2001.

Mr. Wong Po Yan and Ms. Tam Chu, Maria were appointed as independent non-executive directors since 25th March, 1998 for a term of 3 years. Their appointments have been extended from 25th March, 2001 for a further term of three years.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests In Contracts

No contracts of significance to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests In Shares

As at 31st December, 2001, none of the directors, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

Directors' Rights to Acquire Shares or Debentures

At no time during the year was the Company, or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. No options have been granted under the share option scheme since its inception.

Connected Transactions

Save as disclosed in note 34 to the financial statements, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

The independent non-executive directors of the Company have confirmed that the connected transactions referred to above have been entered into in the manner as stipulated in paragraph (D)(1) "Conditions to waiver" in the section headed "Business - Connected Transactions" in the prospectus of the Company dated 15th June, 1999 ("Waiver Conditions"). The directors of the Company are of the opinion that the above connected transactions have been entered into in the manner as stipulated in paragraphs (D)(1) and (D)(2) in the Waiver Conditions.

Substantial Shareholders

At 31st December, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the issued share capital of the Company:

Name	Number of shares held	Approximate percentage of issued shares held
Sinopec Kantons International Limited	750,000,000	72.34%

Note: The entire issued share capital of Sinopec Kantons International Limited is held by China Petrochemical International Co. Ltd. ("CPIC"). The entire registered capital of CPIC is owned by Sinopec.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st December, 2001.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Corporate Governance

The Company has complied throughout the year ended 31st December, 2001 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Directors' Report

Auditors

A resolution will be submitted to the annual general meeting to appoint Messrs. KPMG as auditors of the Company following the retirement of Messrs. Deloitte Touche Tohmatsu who do not offer themselves for reappointment.

On behalf of the Board

Hong Zhi Ming

Chairman

Hong Kong, 28th March, 2002